

CETA TRAINING PROGRAMS:
DO THEY WORK FOR ADULTS?

Congressional Budget Office
and
National Commission for
Employment Policy

PREFACE

The Congress is considering proposals to replace the Comprehensive Employment and Training Act (CETA), which expires at the end of fiscal year 1982. This paper, requested by the Senate Budget Committee, describes current CETA training programs and analyzes their effects on the post-program earnings of adult participants.

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In accordance with CBO's mandate to provide objective and impartial analysis, this paper contains no recommendations.

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SUMMARY

The Comprehensive Employment and Training Act (CETA), which authorizes most job training programs for low-income persons, is scheduled to expire at the end of fiscal year 1982. Several proposals for new legislation are now before the Congress.¹ Two important issues in the design and operation of job training programs are: whom to serve and what services to provide. To provide background information on these issues, this paper analyzes the effects of CETA training on participants' post-program earnings.

CETA TRAINING PROGRAMS

The federal government will spend about \$1.7 billion in fiscal year 1982 to support CETA comprehensive job-training programs through Title II-B,C. These programs are administered by state and local governments and provide a variety of services including classroom training, on-the-job training, work experience, and job search and placement assistance. In fiscal year 1980 (the latest year for which complete data were available), approximately three-quarters of a million low-income persons were served by these training programs.

Almost half of the 1980 participants in CETA comprehensive training programs were enrolled in classroom training, which took place in institutional settings and was designed primarily to provide specific occupational skills such as typing and keypunching, as well as basic educational skills such as those required for a high-school equivalency degree (see Summary Table 1). Slightly more than a tenth of the participants were enrolled in on-the-job training, which took place in actual job settings and was designed primarily to provide specific occupational skills, such as automobile repair and machine tool operation. The remaining four-tenths of the 1980 participants were enrolled in work-experience

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1. The Administration's proposal, the Job Training Act of 1982--S. 2184--was introduced in the Senate on March 9, 1982. The Senate passed the Training for Jobs Act--S. 2036--on July 1, 1982, and the House Committee on Education and Labor reported the Job Training Partnership Act--H.R. 5320--on May 17, 1982.

programs, which provided subsidized jobs that focused primarily on establishing basic work habits and attitudes. The typical work-experience position is difficult to characterize, however, because of variations in the degree of supervision and in the provision of supportive services.

Classroom training, on-the-job training, and work experience were generally short-term programs--lasting about 20 weeks, on average--and usually prepared participants for relatively low-wage, entry-level jobs. In 1980, the average cost for each participant served was \$2,400, ranging from an average of \$2,100 for on-the-job training to \$2,700 for classroom training.

SUMMARY TABLE 1. DESCRIPTION OF CETA COMPREHENSIVE TRAINING PROGRAMS (TITLE II-B,C), FISCAL YEAR 1980

	All Training	Classroom Training	On-the-Job Training	Work Experience
Number of Participants Served ^a /	760,000	360,000	100,000	300,000
Percent of Participants Served	100	47	13	40
Average Duration (in weeks)	20	21	19	20
Average Cost per Participant (in 1980 dollars)	2,400	2,700	2,100	2,200

SOURCE: Based on Department of Labor data.

a. Based on the average duration per participant.

THE EFFECT OF CETA TRAINING ON POST-PROGRAM EARNINGS OF ADULT PARTICIPANTS

Analysis of information on persons over 24 years old who entered a CETA program between January 1975 and June 1976 (the most recent group for which appropriate data were available) and a comparison group of low-income persons who were not in a CETA training program suggested the following:

- o Training increased the average future earnings of female participants substantially--probably because CETA training programs increased hours worked more than wage rates and female participants had less past employment experience than male participants.
- o Training did not seem to affect the average future earnings of male participants--probably because men had previously been employed more than women and there was little effect on their wage rates.
- o In addition, both male and female participants with the least past employment experience had the largest earnings gains after training.

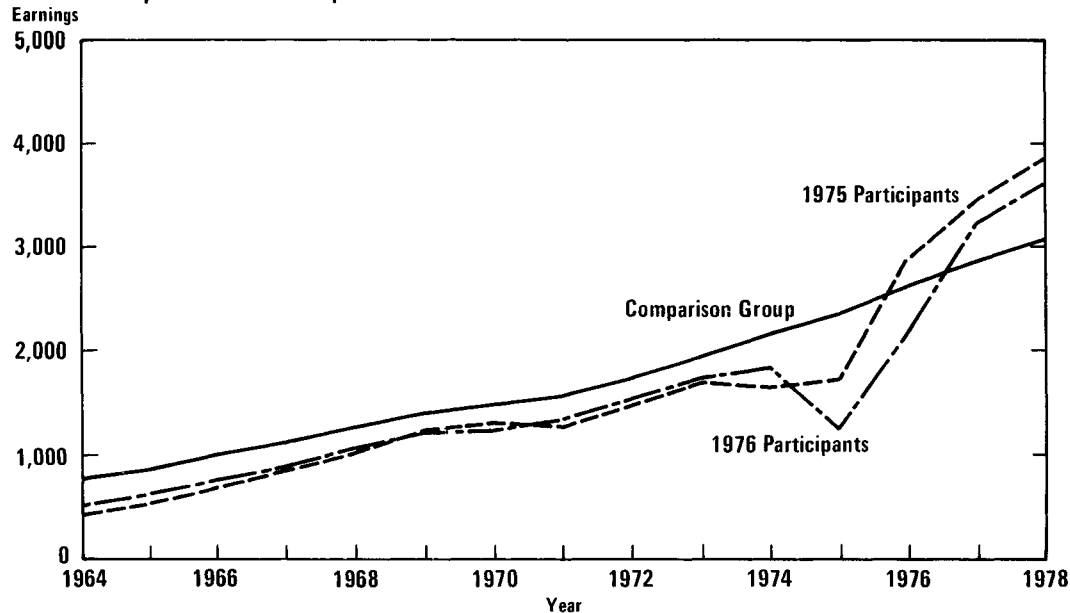
The Effect of Training for Women

For many years before training, female participants consistently earned less than female comparison group members (see Summary Figure 1). Immediately after training, however, participants' average earnings jumped above those of their comparison group and stayed above for at least three years (the longest period for which appropriate data were available).

Detailed analysis of this experience indicated that CETA training increased female participants' average post-program earnings by between \$800 and \$1,300 annually, with similar gains for the three major types of training (see Summary Table 2). Because only a small portion of this gain was due to increased wage rates, training may not have upgraded job skills substantially. Instead, its principal contribution was probably to improve job access and perhaps to encourage greater labor force participation. Although women seemed to benefit more from training than men, they still earned less after training--primarily from receiving lower wage rates rather than from working fewer hours.

Summary Figure 1.

Average Annual Earnings for Female CETA Participants and Comparison Group Members from 1964 to 1978



SOURCE: Estimates from the Continuous Longitudinal Manpower Survey.

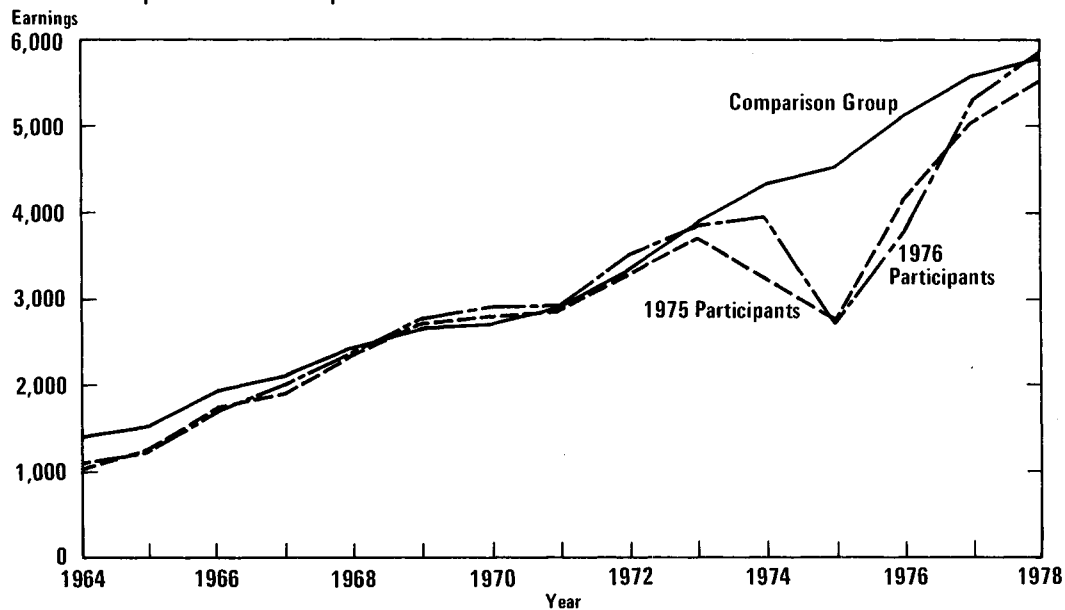
The Effect of Training for Men

For most of the period before training, male participants consistently earned about as much as did male comparison group members (see Summary Figure 2). In the year before they entered a training program, however, male participants experienced unusually low average earnings. Nevertheless, soon after leaving the program, their earnings returned to approximately the level attained by the comparison group.

Men in each of the three major types of training programs experienced this same pattern. The best information available indicates that male participants' earnings would have increased in this way even in the absence of training--that is, training had no discernible effect on the average post-program earnings of men (see Summary Table 2).

Summary Figure 2.

Average Annual Earnings for Male CETA Participants and Comparison Group Members from 1964 to 1978



SOURCE: Estimates from the Continuous Longitudinal Manpower Survey.

ISSUES AND OPTIONS FOR FUTURE JOB-TRAINING PROGRAMS

One important issue is whether there is a necessary federal role in providing job-training programs. Currently, the federal government provides support for programs administered by state or local governments. To the extent that such programs might receive funding from other sources, there would be no need for federal involvement. It seems unlikely, however, that other sources would replace reduced federal funding for such programs.

Given a federal role, two important issues arise in the design of such programs:

- o What employment problems are facing low-income persons?
- o What types of job-training programs are most effective for this group?

SUMMARY TABLE 2. THE EFFECT OF CETA TRAINING ON AVERAGE ANNUAL POST-PROGRAM EARNINGS BY SEX AND TYPE OF TRAINING (In 1980 dollars)a/

Type of Training	For Women ^{b/}	For Men ^{c/}
All CETA Training	800-1,300	Insignificant
Classroom training	800-1,400	Insignificant
On-the-job training	700-1,100	Insignificant
Work experience	800-1,300	Insignificant

SOURCE: Estimates from the Continuous Longitudinal Manpower Survey and the March 1976 Current Population Survey supplemented by individual Social Security earnings records.

- a. For persons over 24 years old and in CETA training programs more than seven days.
- b. Results are statistically significant at the 0.01 level. This indicates a less than one-in-one hundred chance that a result of this magnitude could have happened randomly.
- c. Specific estimates were \$200 for all men in CETA training programs and \$300, \$300, and -\$100 for men in classroom training, on-the-job training, and work experience, respectively. None of these estimates was statistically significant at the 0.05 level.

In addition, no matter how federal legislation resolves these issues, state or local program operators will continue to make decisions about whom to serve and what services to provide.

Two specific aspects of bills that are currently being considered as replacements for the Comprehensive Employment and Training Act (CETA) relate to the above issues--the eligibility

criteria for determining which adults should participate in training programs, and the types of training services that would be available.

What Are the Employment Problems Facing Low-Income Persons?

Low-income persons may experience different types of employment problems. Persons who have never worked or who have not worked for a long time may face problems in entering or reentering the job market. Persons with chronically low earnings, on the other hand, may need to be more stably employed and to increase their wage rates. Women are more likely to be members of the former group, whereas men are more likely to be members of the latter group.

Currently, CETA eligibility criteria do not distinguish between low-income persons with little previous employment experience and those with chronically low earnings. Although none of the proposals currently pending before the Congress would explicitly distinguish between these groups, both the Administration's proposal and the Senate-passed bill would focus training programs more on persons in families receiving Aid to Families with Dependent Children--that is, probably more on women who are more likely to have limited job experience. The House Committee bill, on the other hand, would essentially continue the current eligibility criteria.

What Types of Training Are Most Effective?

The types of training that are most effective at addressing the employment problems facing low-income persons differ for persons with little previous employment experience and persons with some previous employment experience but chronically low earnings.

Persons with Little Job Experience. CETA training programs seemed to be effective for persons with limited previous employment experience, as seen in the greater overall earnings gains for women. Whether current training was provided in a classroom setting, on the job, or through subsidized work experience appeared to make little difference in participants' average post-program earnings. For all three types of training, the discounted value of participants' increased earnings during the next several years approximately equaled the federal costs of training.

Since most of the earnings gain from CETA training programs was due to an increase in the amount of time worked, more emphasis on job placement services and less on training might achieve the same results at a lower cost per participant. This would be true, however, only if the effect of CETA programs was due primarily to placement services rather than training. Otherwise, focusing mostly on placement services might seriously limit potential future earnings growth.

Previously Employed Persons with Chronically Low Earnings. None of the current types of training seemed to help persons with more previous employment experience but chronically low earnings--more often men than women. For this group, there is a smaller margin for increasing the amount of time worked; this means that greater emphasis must be placed on raising their wage rates, which would require more extensive, and thus more costly, training. The magnitude of the potential benefits of extensive training for this group is uncertain; however, some findings of a CETA demonstration project, the Skill Training Improvement Program, that provided training for more highly skilled jobs, suggest the possibility of positive results.

Current Legislation. All bills currently being considered would change the types of services allowed, although in varying degrees. Currently, CETA programs provide many services, including classroom training, on-the-job training, work experience, and job placement assistance. The Administration's proposal and the Senate bill would eliminate work experience for adults, whereas the House Committee bill would retain work experience. In addition, all bills would allow, but not require, more extensive training.

The Congress and the Administration are considering legislation that will determine the future of federal job-training programs. These programs were originated in 1962 under the Manpower Development and Training Act (MDTA), reformulated in 1973 by the Comprehensive Employment and Training Act (CETA), and further modified by amendments to CETA in 1978. Because CETA expires at the end of fiscal year 1982, new legislation is required if the federal government is to fund such programs in the future.

For this purpose, the Administration proposed the Job Training Act of 1982--S. 2184, which was introduced in the Senate on March 9, 1982. In addition, the House Committee on Education and Labor reported the Job Training Partnership Act--H.R. 5320--on May 17, 1982, and the Senate passed the Training for Jobs Act--S. 2036--on July 1, 1982.

Among the important issues in the design and operation of any job-training program are:

- o Who should be served?
- o What services should be provided?
- o Who should provide these services? and
- o How should these services be funded?

This paper addresses the first two issues by analyzing the effects of training programs--not including public service employment--on disadvantaged, low-income adults. Chapter II describes the training programs funded under CETA. Chapter III examines the effect of these programs on the post-program earnings of adult participants. Chapter IV analyzes issues and options in the design of future job-training programs.

This chapter describes training programs authorized by the Comprehensive Employment and Training Act (CETA). It examines the program structure, the types of training, and the types of participants.

PROGRAM STRUCTURE AND FUNDING

The federal government provides funding for CETA training programs, primarily for economically disadvantaged persons. Forty percent of total CETA funding is currently provided through comprehensive training programs (Title II-B,C). The remaining funding is provided through three categorical programs--special federal responsibilities (Title III), youth programs (Title IV), and private sector opportunities (Title VII).¹

Although federally funded, most CETA programs are administered locally. Local program operators--referred to as prime sponsors--decide whom to serve and what types of training to provide within federally established guidelines. Discretion is greatest in Title II-B,C comprehensive training programs.

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1. CETA programs have been changed many times since they were enacted in December 1973. The original act included: Title I comprehensive manpower services, Title II public employment, Title III special federal responsibilities, and Title IV Job Corps. Amendments in December 1974 added Title VI emergency jobs. In August 1977, several youth programs under Titles III-C and VIII were added. In October 1978, CETA was reauthorized to include Title II-B,C comprehensive training programs, Title II-D transitional employment opportunities, Title III special federal responsibilities, Title IV youth programs, Title VI countercyclical public service employment, Title VII private sector opportunities, and Title VIII Young Adult Conservation Corps. In August 1981, the Omnibus Reconciliation Act removed the authorization for Titles II-D, VI, and VIII.

In fiscal year 1982, 475 prime sponsors--including 76 cities, 202 counties, 139 consortia, and 58 other jurisdictions--administered CETA programs.² Prime sponsors may choose to organize themselves in many different ways. For instance, they may operate programs themselves; contract with outside organizations; or provide training programs through smaller governmental units.

Spending for CETA comprehensive training programs kept pace with inflation between fiscal years 1975 and 1981--growing from \$1.3 billion to \$2.2 billion (see Table 1). Last year's budget actions, however, will cut back 1982 spending substantially, to approximately \$1.7 billion. At the same time, due largely to changes in public service employment, total CETA spending grew from \$2.9 billion in 1975 to a peak of \$9.5 billion in 1978, and will fall to about \$4.4 billion in 1982. As a result of these changes, comprehensive training programs currently represent a share of total CETA funding similar to their share in 1975.

TYPES OF TRAINING AND TYPES OF PARTICIPANTS

CETA comprehensive training programs provide three main types of training--classroom, on-the-job, and work experience--as well as allowances for participants while being trained and job-related services such as counseling and placement activities.³ These programs, which are described in this section, offer basic educational training, specific occupational training, general exposure to work, and job search assistance.

Participants in CETA training programs are members of low-income families. The median family income for adults (persons over 24 years old) entering training in 1980 was \$5,000. Of these participants, one-third received public assistance during the year before training (see Table 2).

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2. Prime sponsors are generally state or local governments with populations of 100,000 or more. The number of prime sponsors has increased from 403 in 1975 to 475 in 1982. The distribution of prime sponsors by type of government has not changed substantially, however.
 3. This section focuses on the national picture and may therefore not apply to particular prime sponsors.

TABLE 1. SPENDING FOR COMPREHENSIVE EMPLOYMENT AND TRAINING ACT PROGRAMS, FISCAL YEARS 1975-1982 (In millions of dollars)

	1975	1978	1981	1982
Comprehensive Training Programs ^{a/}	1,331	1,992	2,231	1,700
Public Service Employment Programs ^{b/}	838	5,764	2,387	274
Other Programs ^{c/}	751	1,777	3,082	2,428
Total	2,920	9,533	7,700	4,402

SOURCE: Figures for 1975, 1978, and 1981 represent actual spending, from Department of Labor data. Figures for 1982 are CBO estimates.

- a. Includes Title I/II-B,C.
- b. Includes Titles II/II-D and VI.
- c. Includes Titles III, IV, VII and VIII.

In 1980, most participants received classroom training or work experience rather than on-the-job training, and the types of people receiving different types of training varied somewhat (see Table 2).⁴ For example, on-the-job training participants were more likely than other participants to be male and were more

- 4. Although the overall CETA program has varied since it began, the comprehensive training portion, on average, does not seem to have changed substantially. The duration of training has remained fairly constant. Training costs per participant have increased by only up to 20 percent in real terms (between 1976 and 1980) and the characteristics of participants have remained roughly the same. Because of this stability, results

(Continued)

TABLE 2. CHARACTERISTICS OF NEW ADULT PARTICIPANTS IN CETA COM-
PREHENSIVE TRAINING PROGRAMS (TITLE II-B,C), FISCAL YEAR
1980^{a/}

Charac- teristics	All Training	Classroom Training	On-the- Job Training	Work Experience
Percent Male	43.7	38.6	62.1	43.6
Percent Minority ^{b/}	48.7	50.5	38.5	41.3
Percent with Less Than 12 Years of Education	36.6	35.1	35.5	41.0
Percent Over 44 Years Old	15.3	12.5	13.1	23.2
Average Percent of Time in the Labor Force ^{c/}	68	66	74	69
Percent in Families Receiving Public Assistance ^{c/}	32.7	35.9	23.1	31.6
Median Family Income ^{c/} (in 1980 dollars)	5,000	4,900	5,700	4,900

SOURCE: Continuous Longitudinal Manpower Survey.

a. Includes persons over 24 years of age.

b. Includes all non-white persons and Hispanics.

c. During the year before entering a CETA program.

4. (Continued)

of the analysis of program effectiveness based on data for persons who entered a CETA program between January 1975 and June 1976 are probably indicative of the relative effectiveness of current programs.

likely, on average, to have spent more time in the labor force during the year before training began. The occupations for which training was provided also varied: for example, in 1976--the most recent year for which these data were available--classroom training participants were more likely to receive clerical training than other participants (see Table 3). In spite of these differences, however, in 1980 the average duration of all three types of training was quite similar and costs, especially for on-the-job training and work experience, were also similar (see Table 4).

Classroom Training

Classroom training provides occupational skill training and basic educational training in an institutional setting. Occupational training--provided to about three-quarters of classroom training participants in 1980--provides skills for specific jobs, such as clerical workers. Basic educational training--provided

TABLE 3. DISTRIBUTION OF PARTICIPANTS BY OCCUPATION FOR WHICH TRAINING WAS PROVIDED, FISCAL YEAR 1976^a/ (In percents)

Occupation for Which Training Was Provided	Classroom Training	On-the-Job Training	Work Experience
Clerical	39	15	24
Crafts	19	21	7
Operative (nontransport)	15	28	9
Laborers	1	8	16
Service	17	11	26
Other	9	17	18
Total	100	100	100

SOURCE: Westat, Inc., Continuous Longitudinal Manpower Survey Follow-up Report No. 2 (March 1979).

- a. Includes persons who entered a CETA program during fiscal year 1976 and terminated within 18 months. Includes only persons who reported an occupation for which training was provided.

TABLE 4. DESCRIPTION OF CETA COMPREHENSIVE TRAINING PROGRAMS
(TITLE II-B,C), FISCAL YEAR 1980

	All Training	Classroom Training	On-the-Job Training	Work Experience
Number of Participants Served ^a /	757,000	356,000	97,000	304,000
Percent of Participants Served	100	47	13	40
Average Duration (in weeks)	20	21	19	20
Average Cost per Participant (in 1980 dollars)	2,400	2,700	2,100	2,200

SOURCE: Based on Department of Labor data.

a. Based on the average duration per participant.

to about one-quarter of classroom participants in 1980--focuses on general skills, for example, preparation for high school equivalency degrees or training in English as a second language, rather than skills for specific jobs.

Classroom training is provided in many different settings. For example, CETA participants may enroll with other students in courses offered by state and local vocational education institutions. Or they may enroll in these institutions for an evening class specifically for CETA participants. Or thirdly, they may participate in a full-time CETA program at a multipurpose skills center.

Classroom training focuses most heavily on clerical skills, probably because these skills can be taught easily in a classroom setting. In 1976, 39 percent of occupational classroom training was for clerical jobs; 19 percent was for craft jobs; 15 percent was for nontransport operative jobs; and 17 percent was for service jobs.